PUBLIC DOCUMENT

January 16, 2002

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20508

Re: **New Information Discussed in Filed Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regards to Imports of Certain Steel**

Dear Ms. Blue:

The TPSC has asked that we identify new information submitted in comments filed with the USTR. With this letter we provide two memoranda which list the new data discussed in our January 4, 2002 Comments and our January 15, 2002 Response Comments.

Should you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Respectfully submitted,

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New Information Discussed in January 4, 2002 Public Comments on Flat Products Submitted by Schagrin Associates

Page 4 fn. 1:

Dutch unions are challenging Corus as to why Corus continues to be unprofitable two years after the merger with Hoogovens. "Workers revolt?" *Metal Bulletin* (10 December 2001) at 12. Corus' first half 2001 operating loss was $200 million which follows a $1.1 billion loss for the 15 months ended December 31, 2000. *Id*.

Page 7 fn. 7:

The recent joint cold-rolled antidumping questionnaire response jointly filed by Brazilian producers USIMINAS and COSIPA further confirms this close relationship between flat products when it states:

> USIMINAS produces all of its products at a single location {which} is an integrated steel mill incorporating all stages of steel production, from coke ovens to final rolling and galvanizing. . . . USIMINAS is not organized along product lines. That is, separate departments or subsidiaries for cold-rolled products do not exist because, in many cases, products may have several applications. Hot-rolled products, for example may be produced either for sale as such or for further processing into cold-rolled products. Cold-rolled products, in turn, may be produced either for sale as such or for further processing into galvanized products. USIMINAS, therefore, has a single operating department for all products produced . . . .

USIMINAS/COSIPA, Cold-Rolled Section A Response (Dec. 17, 2001) at A-2. The COSIPA situation is the same, as COSIPA operates "a single integrated mill complex . . . and is not organized along product lines." *Id*. at A-3.

Page 8 fn. 9:

This downstream investment sometimes is in the United States. Thus, CSN acquired Heartland's cold-rolled facilities as a conduit for its hot-rolled production and is interested in LTV's hot-rolling mills as an outlet for CSN's slab production and to hot-roll for Heartland. "Renaissance, CSN seen likely suitor for some LTV assets," *American Metal Market* (December 18, 2001) at 12.

Page 12:

LTV's east side Cleveland Works and Indiana Harbor Works in East Chicago are scheduled to be auctioned on February 27, 2002. (fn. 29 Notice of Proposed Sale of Certain Integrated Steel Assets of LTV Steel Company, Inc., U.S. Bankruptcy Court, Northern District of Ohio, Eastern Division, Case No. 00-43866 (December 7, 2001))

Page 15:

Hot-rolled prices have languished at the $220-$240 per ton level for nearly a year, down from about $320 to $340 per ton in early 2000. (fn.41 *See* "Steel Dynamics favors hot-rolled sheet boost: Busse supports move by Nucor," *American Metal Market* (December 6, 2001) at 12.)

Page 16:

Russian hot-rolled is now selling into the East Asian market as low as $175-$180 per tonne c&f with a further $5 drop possible. (fn. 45 "Pressure mounts on East Asia HR prices," *Metal Bulletin* (26 November 2001) at 34.) Ukrainian hot-rolled is being quoted at $165-$168 c&f. Japanese hot-rolled is selling at around $210 c&f East Asia. Low demand continues and traders believe prices may fall $5 to $10 more to the lowest level of the Asian financial crisis. Two Russian mills have reportedly offered cold-rolled coil to certain markets (non-East Asia) at around $220 per tonne c&f, or less than $200 fob. (fn.46 *Id.*)

Page 16:

Moreover, demand in Europe is now expected to decline even more than was recently forecast. The European Confederation of Iron and Steel Industries ("Eurofer") has revised down its steel consumption forecast for the first quarter 2002 amid signs that the economic slowdown is worse than expected. Real consumption of steel is now expected to decline 22 percent compared with the first three months of 2001. (The previous forecast was for a 0.5 percent decline.) Apparent consumption is expected to slide 7.7 percent compared with a previous forecast of a 1.5 percent decline. Eurofer noted that all economic institutes have been revising their forecasts downward. (fn. 47 "Eurofer revises demand outlook," *American Metal Market* (December 14, 2001) at 3.) EU exports are projected to fall with particular weakness in Asian and South American markets, in addition to the anticipated decline in the U.S. market. (fn. 48 *Id.*)

Page 17:

Yet just the prospect of relief has led to domestic industry efforts to stop the decline in U.S. market prices and institute price increases in early 2002 notwithstanding continued weak demand. Thus SDI has supported Nucor's move to increase hot-rolled prices by $20 per ton for the first quarter 2002. (fn. 49 *See* "Steel Dynamics favors hot-rolled sheet boost: Busse supports move by Nucor," *American Metal Market* (December 6, 2001) at 1. This price announcement was a direct assault on the continuing declining prices in the U.S. market. As noted by steel buyers, purchase prices for the first quarter 2002 on the West Coast were $5 to $10 per ton less than fourth quarter prices. *See* "Steel Dynamics favors hot-rolled sheet boost: Hikes won't fly on West Coast," *American Metal Market* (December 6, 2001) at 1. The primary problem is that service centers can still easily meet spot demand from inventory. *Id*. The effort by minimills to raise prices is directly contrary to the repeated false claims of CSI that minimills are the cause of price declines on the West Coast.) Nucor announced in a letter to customers on December 10th that it would raise prices on plate by $20 per ton effective immediately. The Nucor move followed a similar announcement in early December by IPSCO and other plate manufacturers. (fn. 50 "Nucor joins "$20/ton plate increase," *American Metal Market* (December 12, 2001) at 12; "Bethlehem pushing hike on plate," *American Metal Market* (December 19, 2001) at 12.) U.S. Steel led in rising base prices by 3.25 percent for tin mill products effective January 2, 2002 (informing customers on November 9). Weirton Steel Corp. and Wheeling-Pittsburgh Steel followed shortly and Bethlehem announced similar increases on November 20. (fn. 51 "Better late than never as US mills raise tinplate prices," *Metal Bulletin* (26 November 2001) at 29.) Price increases are possible because a practical deadline for import deliveries has been established in the market. (fn. 52 "February 16th is the deadline, you can't book for February 20 delivery." "US traders bridle as they await 201 whip," *Metal Bulletin* (6 December 2001) at 19.)

Page 19 fn. 67:

Indeed, the unit value of slab from Australia in the first three quarters of 2001 was $164 per ton which has fueled a significant growth in slab exports from this country.

Page 22:

Slab imports from Brazil in the third quarter 2001 almost equalled the total for the first two quarters of 2001 **combined**. Imports from other major slab suppliers, including Mexico, Russia, Australia, Ukraine, Japan, and South Africa (and even Finland) also showed dramatic increases in the third quarter 2001. *See* Table 3. Slab will continue to pour into the U.S. market at extremely low prices. Demand for slab in South East Asia remains extremely weak and Russian mills are offering slab at around $150 per tonne c&f. (fn. 71 "East Asia buyers trim Ukrainian billet prices," *Metal Bulletin* (6 December 2001) at 20.)

Page 24:

U.S. crude steel output has declined 11.4 percent (almost 10 million tons) in the first ten months of 2001 as compared to 2000. (fn. 76 *See* "World crude steel output," *Metal Bulletin* (22 November 2001) at 18.) In contrast, Russian steel output in the same period had virtually no decline and Ukraine's output increased 8.6 percent. Similarly, the decrease in Japan's output was a modest 1.9 percent (1.7 million tons) and South Korea, India, Taiwan as well as China all increased production in this period by 1.3 percent, 1.3 percent, 2.7 percent, and 10.9 percent respectively. (fn. 77 *Id.*) Overall, world crude steel production declined a minute 0.6 percent (2.8 million tons) in the first ten months of 2001 as compared to the same period in 2000. (fn. 78)

Page 24:

For the week ended December 29, domestic capacity utilization was only 63.7 percent.

Table 2: Carbon and Alloy Steel Flat Products: Slabs, Import Unit Value
Import Unit Value from Jan. - Sept. 2001

Table 3: Carbon and Alloy Steel Flat Products: Slabs, U.S. Imports
Imports July - Sept. 2001 and from Jan. - Sept. 2001

Table 7: Carbon and Alloy Steel Flat Products: Hot-Rolled, U.S. Import from Turkey
Import from Jan. - Sept. 2001

New Information Discussed in January 15, 2002 Public Comments on Flat Products Submitted by Schagrin Associates

Page 1:

Importers stopped committing to import purchases for delivery after February 2002. (fn. 3 *See* "U.S. traders bridle as they await 201 whip," *Metal Bulletin* (6 December 2001) at 9 ("February 16th is the deadline, you can't book for February 20th delivery"))

Page 3:

The injury suffered by the domestic steel industry has severely harmed those many companies which supply the steel industry, including the U.S. ore industry, U.S. shipping concerns, and the many smaller enterprises dependent on domestic steel production. (fn. 10 For example, RHI Refractories Holding Co. recently declared bankruptcy to restructure because the "continuing financial crisis in the U.S. steel industry has sharply reduced demand for refractory products." "Financial heat burns hole in RHI Refractories," *American Metal Market* (January 8, 2002) at 2 quoting Guenter Karhut, chief executive officer of RHI Refractories.)

Page 11:

More importantly, slab imports increased significantly in the third quarter 2001 and then exploded in October and November 2001. Indeed, the Commerce import data for October and the preliminary import data for November indicate that these were two of the highest months ever for slab imports, notwithstanding stagnant steel demand in the United States. Exhibit 4. Slab imports from Russia in October alone were 263,705 tons; a volume greater than in any prior *quarter* in 2001 (even though slab imports from Russia were substantial in each quarter of 2001). (fn. 39 Through October 2001, imports of slab from Russia totalled 913,652 tons. Exhibit 4.) Exhibit 4. The CIF value for Russian slab in October 2001 was only $155 per ton. Exhibit 5. Slab is also pouring in from Brazil, with imports of Brazilian slab of 656,851 tons in the third quarter 2001 and 233,838 tons in October 2001. (fn. 40 Through October 2001, imports of slab from Brazil totalled 1,617,093 tons. Exhibit 4.) Brazilian slab CIF values were only $170 per ton in the third quarter and $166 per ton in October. (fn. 41 Together Russia and Brazil accounted for 54 percent of total slab import in the third quarter 2001 and an astounding 78 percent of imports in October.) Likewise, Australia and Ukraine slab imports continue to grow. Slab imports from Australia were 78,802 tons in the third quarter 2001 (CIF value $168 per ton) and 39,177 tons in October 2001 (CIF value $162 per ton). (fn. 42 Through October 2001, imports of slab from Australia were 272,486 tons. Exhibit 4.) Imports of slab from Ukraine in the third quarter 2001 were 82,964 tons (CIF value $163 per ton), almost four times the volume of slab imports from Ukraine in the first half of 2001. Imports of slab from Mexico in the third quarter 2001 were 448,972 tons, much higher than in the either of the first two quarters of 2001. (fn. 43 Slab imports from Mexico represented between one-quarter and one-third of total slab imports in each of the first three quarters of 2001. While Imexsa is correct that other imports have increased more rapidly, the imports of Mexican slab are a significant part of the slab problem.) Finally, a huge volume of slab imports from China (31,315 tons) appeared in October

2001, as compared to the total of 5,726 tons of slab imported from China in the first three quarters of 2001. Exhibit 4. The CIF value for imports from China in October was likewise extremely low, only $164 per ton. Exhibit 5. Thus, the countries increasing slab exports have registered such significant volume increases because the slab prices they offer are so absurdly low. *See* Exhibit 5.

Page 13:

The glut of slab on the world market and the constantly lower slab prices were confirmed by Imsa Acero (the Monterrey subsidiary of Grupo Imsa S.A. de C.V.) when it had to purchase slabs to replace Ipsat Mexicana shipments which have been interrupted by a labor dispute. Santiago Clariond, CEO of Imsa Acero, noted the "tremendous" supply of slab on the world market available from Brazil, Venezuela and Russia among others. (fn. 48 "Imsa Acero move fast to broaden slab supply," *American Metal Market* (January 15, 2002) at 2.) Mr. Clariond noted the slab prices continue to fall and are currently $140 to $145 per metric ton f.o.b. and $135 to $140 per metric ton f.o.b. from Russia.

Page 15:

Ironically, the Commission's injury determination, and hence the tin mill order itself, has been called into serious question by the Court of International Trade. (fn. 57 *NSC v. ITC*, Ct. No. 00-09-00479 (December 31, 2001) (Remand Order to Commission))

Page 16:

The Brazilian tin mill AUV for third quarter 2001 was $123 a ton less than the AUV for all imports, the Korean AUV was $63 a ton less, and the China AUV was $60 a ton less. Exhibit 9. (fn. 60 Other countries with low AUVs have also registered substantial volume increases. Thus, imports from Australia were less than 500 tons in 2000, but have risen to over 7,500 tons in the first three quarters of 2001. Australia's tin mill AUV for the third quarter 2001 was among the lowest for all countries, being $84 per ton less than the AUV for all countries. Similarly, Taiwan's third quarter 2001 AUV was even lower than Australia's and tin mill imports from Taiwan in the third quarter were greater than imports from Taiwan for all of 2000. Exhibit 6 and 9.)